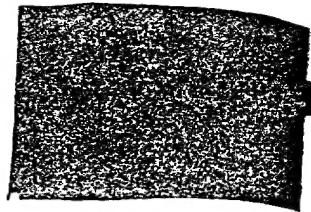




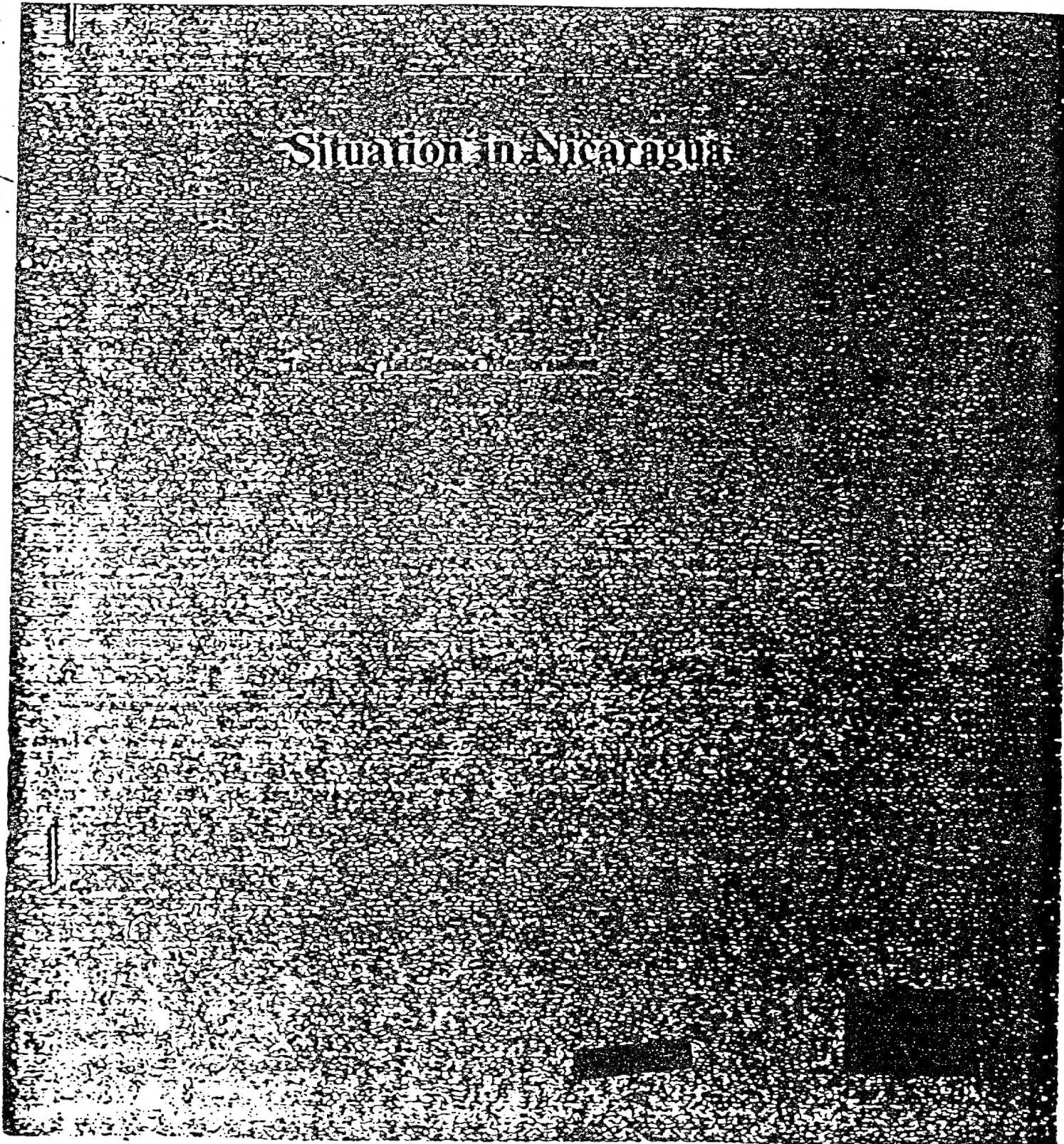
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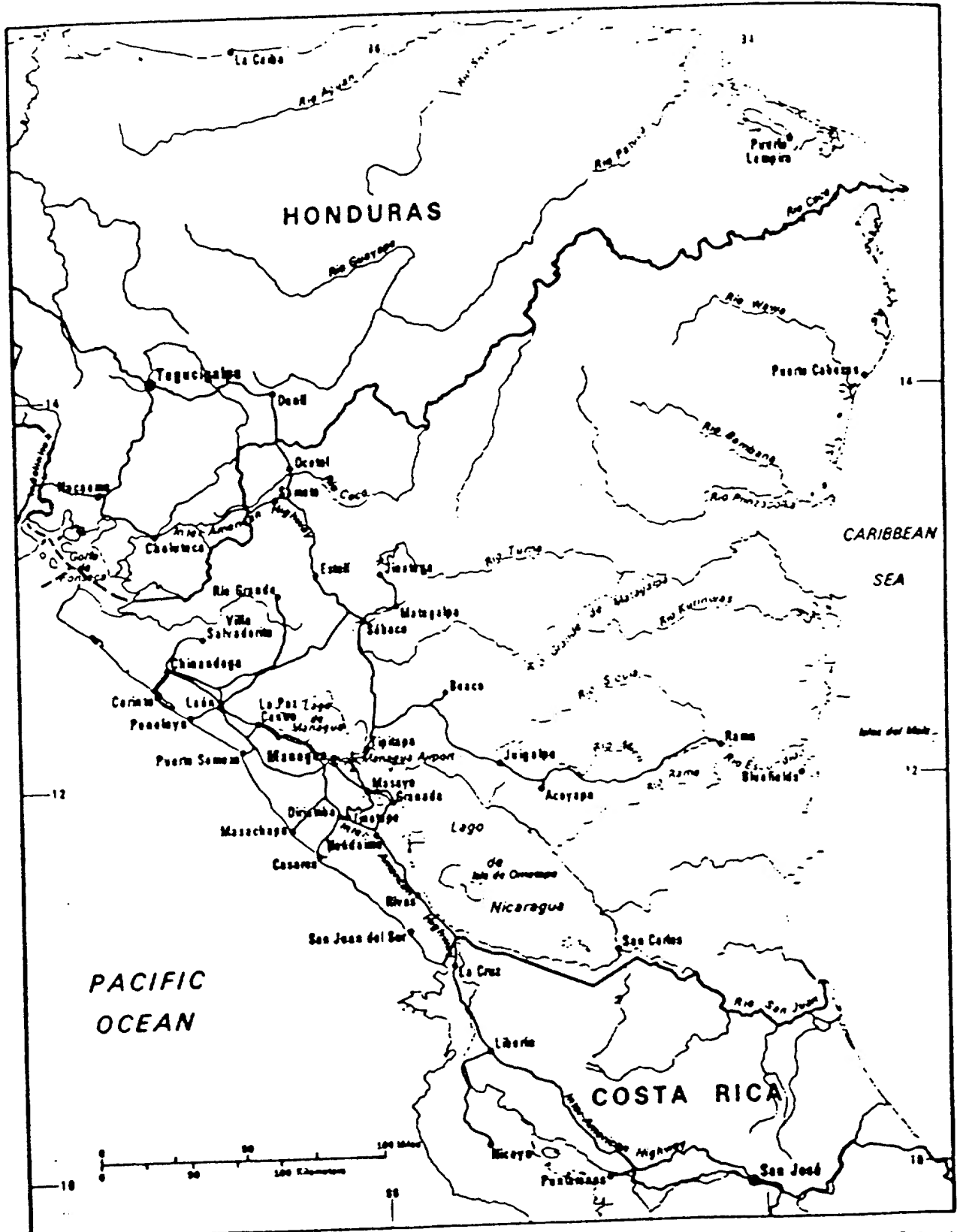
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CONFIDENTIAL

Situation in Nicaragua



Nicaragua



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 Lambert Conformal Projection
 Standard parallels 9°20' and 14°10'
 Scale 1:3,200,000
 Boundary representation is
 not necessarily authoritative

[REDACTED]

SITUATION IN NICARAGUA

[REDACTED] [REDACTED]

[REDACTED]

SITUATION IN NICARAGUA

Military Situation

On 9 September Nicaragua's Sandinista National Liberation Front guerrillas launched a series of attacks in Managua and four other cities. The National Guard in the capital responded effectively to what were little more than hit-and-run strikes against five police posts. In Masaya, Leon, Esteli, and Chinandega, however, the guerrillas were able to gain control of major sections of the cities and rally support from local youths.

The Guard set about restoring control of Masaya the next day. It employed well-trained combat forces from the capital, and cleared out the city systematically one section at a time. The fighting was heavy for three days, but on 13 September Masaya was secured and the bulk of the troops moved northward to Leon.

The latest reports indicate that Guard troops are making headway in Leon, but they have not concluded the operation. Guerrillas still hold major portions of Chinandega and Esteli, where the existing Guard garrisons are engaged in holding actions only. One Guard officer reported that Esteli would be especially difficult to recapture. For this reason, and because of geography, Chinandega will probably be invested following Leon.

In addition to the three towns where the guerrillas still have some continuous control, there are reports of sustained clashes in Diriamba, and sporadic fighting in Rivas, Jinotepe, and Penas Blancas. These strikes on Wednesday and Thursday were evidently repulsed by the Guard garrisons.

Managua has been tense, but calm since the first attacks on 9 September. [REDACTED]

This memorandum was prepared in the Office of Regional and Political Analysis and was coordinated with the Directorate of Operations, INR, in the Department of State, and with DIA in the Department of Defense. [REDACTED]

[REDACTED]

[REDACTED] all indicate that a major guerrilla strike will take place on 15 September or soon thereafter.

Armed Opposition - Nature and Strength

Armed opposition is centered in the guerrilla Sandinista National Liberation Front (FSLN). Even in areas such as Matagalpa and Masaya where significant numbers of the local populace have taken up arms against the government, a large majority of the rebel force has been pro-FSLN youth--and trained Sandinista cadres have been an instigating element helping to touch off the violence. This FSLN tactic, acting as a catalyst for violence in urban centers, has been evident since the first general strike against President Somoza in January. Although anti-Somoza sentiment is strong at almost all levels of Nicaraguan society, it generally has not reached the flash point where popular uprisings have been generated external to FSLN action.

The FSLN

With Cuban support, the FSLN was founded in the early 1960s out of the remnants of several other revolutionary organizations. By the mid-1960s, after two small invasion attempts from Honduras, the group settled into a pattern of predominantly rural operations by scattered bands and occasional acts of urban terrorism. Prior to the surge of activity that began late last year, the FSLN's most spectacular success was in December 1974 when it seized a government minister's house and a number of hostages, extorted a ransom, secured the release of 14 fellow guerrillas, and gained safe passage to Cuba. During 1975 and 1976, the government's proclamation of martial law and its more active pursuit of the guerrillas put the FSLN on the defensive, with most encounters being initiated by the National Guard.

Following the lifting of martial law in September 1977, the FSLN carried out several dramatic strikes against National Guard units. The increased anti-Somoza sentiment over the last year, given major impetus by the assassination of opposition leader Chamorro in January, has spurred FSLN recruitment because of the organization's

[REDACTED]

image as the only active opposition to Somoza. A year ago, we estimated that there were only approximately 250 FSLN activists in the country; Nicaraguan intelligence estimated last month that there were some 600 guerrillas within the country and an equal number abroad--a figure we find credible, [REDACTED]

[REDACTED] An FSLN leader's public boast that some 1,100 guerrillas are now involved in the struggle against Somoza in Nicaragua could well be accurate; over the last few weeks a large number of FSLN members staged outside the country, principally in Costa Rica, have probably crossed back into Nicaragua. The number of active sympathizers and supporters is much larger and growing, but impossible to determine exactly.

FSLN recruitment is, if anything, intensifying. [REDACTED] new adherents are being taken on board in Costa Rica so quickly that they are being incorporated directly into FSLN urban and rural units without training. Indicative of the decreased emphasis on ideology by the leading FSLN faction, the new recruits are given little screening other than to determine that they are anti-Somoza.

Traditionally, the FSLN has been a Marxist, pro-Castro, revolutionary organization that, like other Latin American guerrilla groups, has increasingly shifted its focus to the urban front.

Throughout most of its existence, the FSLN has been plagued by factionalism. In recent years, the organization has split into three primary groups--Terciario, Popular Prolonged War, and Proletarian Tendency--all espousing variations of Marxist ideology. The chief reason for this splintering was disagreement over strategy and tactics.

The Terciario faction--estimated a month ago at 550 members--has generally been the largest of the three. It has undertaken most of the urban guerrilla actions, including the capture of the National Palace on 22 August. The Terciarios are the least doctrinaire of the Sandinistas, and for the past year have downplayed Marxism in favor of nationalistic, anti-imperialistic, anti-US, and anti-Somoza themes. The Terciarios also have shown the

[REDACTED]

greatest willingness to cooperate with other, non-Communist opposition groups for the expedient of bringing down the Somoza government as quickly as possible.

The Sandinistas' chief link to other anti-Somoza organizations has been through the Group of 12, a collection of prominent professionals formed in Costa Rica last year but now openly campaigning against Somoza in Nicaragua. Members of the group have lobbied for acceptance of the Sandinistas as a legitimate element in the overall opposition movement. At least two of the Group of 12 have been members of the FSLN, and others have sons who are Sandinistas. While in Costa Rica, members of the Terciario faction worked closely with the Group of 12 in planning guerrilla operations as well as propaganda and fund-raising activities.

The Popular Prolonged War (GPP) faction is largely a military organization. The Nicaraguan intelligence service's current estimate of 550 members is higher than previous reporting had indicated. The GPP hopes to mobilize a people's war to force Somoza out, but only in the context of a "socialist revolution" that will require a more protracted struggle than that envisioned by the Terciarios. Specializing in guerrilla operations against National Guard personnel and installations, the GPP has generally avoided such terrorist tactics as kidnaping and assassination. As the FSLN offensive has gathered strength, there has been increasing cooperation between the GPP and the Terciarios at the upper echelons, but stopping well short of a unified command. Each group reportedly maintains its own leadership, and working-level members of the two factions function independently.

The Proletarian Tendency (TP), with only about 100 members, is clearly the smallest FSLN faction. It is also the most doctrinaire and insular of the three. Its primary activities are infiltrating worker, peasant, and student organizations and promoting strikes. It carries out some guerrilla actions, but does not work for the immediate overthrow of Somoza. Rather, it sees a need for his continued presence to catalyze mass discontent, paving the way for a socialist government to succeed to power. During the most recent guerrilla activity, its only participation appears to have been to act as a propaganda support mechanism.

[REDACTED]

Terciario members in general appear to have little respect for this group.

General Resistance

Resistance is spreading in the sense that more towns have been the sites of serious antigovernment attacks and violence, but there is only a random geographic pattern. The worst problems have been in those cities that have been centers of discontent from the outset, such as Matagalpa and Masaya. The FSLN has chosen urban targets of opportunity, in concert with attacks on National Guard outposts by bands that range across the borders from Costa Rica and Honduras. The objective is to demonstrate the government's vulnerability and at the same time to stretch the National Guard thin--and so encourage conditions propitious for a general uprising or a major FSLN attack in the capital once Somoza's forces are wearied and depleted.

Thus far, we have evidence of only one other organization that has joined with the FSLN in its military campaign, but contacts and cooperation, at least on an informal or individual basis, are clearly wider. One of the factions of the extremist Nicaraguan Socialist Party has engaged in joint planning with the Terciarios for a major armed action in the capital that is still expected. Members of other organizations have probably also cooperated--likely candidates include the other Socialist faction as well as the Revolutionary Student Federation--which for years has been the FSLN's primary source of recruits. In addition, radicalized businessman Alfonso Robelo, one of the opposition's principal leaders and head of the Nicaraguan Democratic Movement, recently indicated that members of his group had been active in the most recent outbreaks of violence. Similarly, a prominent oppositionist has related that the head of the Union for Democratic Liberation, one of the political coalitions within the opposition front, has also been involved in FSLN planning.

Outside Support - Cuban Involvement

Since their information in the early 1960s, the Sandinistas have looked to Cuba for ideological inspiration, strategic guidance, tactical training, material support, and sanctuary. In the last few years, however, Cuba

[REDACTED]

appears to have declined repeated Sandinista appeals for money, arms, and increased training outside Cuba. Havana has apparently concentrated its material support on training in Cuba and related expenses, including transportation and documentation. The bulk of our reliable evidence to date points to a role, but we believe it would stop short of a direct military participation.

The Cubans were cautious in their dealings with the FSLN because they have been skeptical about the group's capabilities and sensitive to international opinion. Havana has insisted that the FSLN first purge itself of factionalism, establish a unified leadership base, and prove itself under fire.

The Cubans have, however, apparently increased their contacts with Central American groups. At least three times this year, a high-level Cuban representative has tried to meet in Costa Rica with FSLN leaders to help iron out their factional differences, but there are no indications that he succeeded in bringing all three groups together. Late last year, [REDACTED]

[REDACTED] reported that he felt that Cuba was taking a more active role in promoting insurgency in Latin America, particularly in Nicaragua and El Salvador. More recently, a member of the Guatemalan Communist Party related that Havana intends to hold a meeting before the end of the year of all the Communist parties of Central America to plan a coordinated campaign against Somoza, but details of the campaign were not spelled out.

Some aspects of Cuba's support role have long been documented. Throughout the FSLN's existence, Cuba has been a training site; even two years ago there were 60 Sandinistas there in various stages of training. Cuba is also both safehaven and propaganda base; one of the guerrillas flown to Cuba after the December 1974 operation remained in Havana until earlier this year to act as FSLN liaison with the Cuban Government, to direct Sandinista propaganda over Radio Havana, and to contact representatives of other radical organizations. Sandinistas in Cuba may also correspond with support groups in the United States and other third countries.

[REDACTED]

Such Cuban support is clearly continuing. The leader of the recent assault on the National Palace appears to be one of [REDACTED] FSLN members who were supplied with Cuban passports in alias by the Cuban Embassy in Panama. Last year, a Cuban Prensa Latina official in Venezuela was reportedly trying to help collect money for the FSLN. Occasional reports alleging that Cuba is providing the Sandinistas with funds to purchase weapons and is sending selected members to the Near East for training by the Palestine Liberation Organization cannot be confirmed, however.

Similarly, there have been two recent reports of a Cuban presence in Nicaragua, both of which are suspect. [REDACTED] alleged in August that three Cuban advisers were training Sandinistas in underground sites in a town 50 kilometers (30 miles) from Managua. [REDACTED] also reported that the FSLN planned to bomb vehicles with diplomatic license plates--a change in FSLN strategy that would seem counter-productive to FSLN efforts to isolate the Somoza government diplomatically. [REDACTED]

Cuba has been trying to play down its direct involvement with the FSLN. On 6 September, for example, Fidel Castro said that the Sandinistas know how to obtain arms and money and do not need Cuba's help. However, a member of the Group of 12--which serves as the FSLN's political arm--reportedly visited Cuba recently to request that Castro provide arms, money, and even direct military intervention. We believe that the Cubans may well increase support to the Nicaraguan guerrillas in the weeks ahead but stop short of sending Cuban personnel into Nicaragua. Both we and the Cubans would reassess if there were some dramatic turn in the Nicaraguan situation--for example, if the FSLN secured an area and established a provisional government recognized by some Latin American regimes.

Costa Rica's Role

Costa Rica continues to be the FSLN's principal, and critically important, staging area.

[REDACTED]

The FSLN attacks last October that began the offensive against the Somoza government were staged by groups that quickly fled into Costa Rican and Honduran territory before Nicaraguan National Guard forces could react. In November, there were some 70 well-equipped Sandinistas operating from Costa Rica. A member of the FSLN high command has publicly acknowledged that the group uses that neighboring country as its principal training ground and safehaven. The Group of 12, prior to returning to Managua earlier this year, functioned out of San Jose.

The FSLN's continued reliance on its safehaven was evidenced by the raid launched from Costa Rica on 12 September, as well as the fact that the guerrillas have intensified their recruitment drive there. In addition, the spectacular FSLN August raid on the National Palace was planned and staged from Costa Rica.

The Sandinistas receive material aid from the Costa Rican Committee of Solidarity With the Nicaraguan People and are provided safehavens and false documents by the Costa Rican Communist Party. Sandinistas have occasional contacts in Costa Rica with Cuban officials and--according to unconfirmed reports--with Soviet Embassy officials as well.

The FSLN has been able to operate from Costa Rica with virtual impunity for a variety of reasons. The government is militarily incapable of policing the border and, in any event, may lack incentive because the Somoza government is unpopular in Costa Rica. Some government officials may also fear retaliation from the FSLN. When Sandinistas do fall into government hands, they are deported to Mexico, Venezuela, or Panama.

[REDACTED] Costa Rican President Carazo has decided to "stiffen" his policy on FSLN activists apprehended in his country--by deporting non-Costa Ricans and giving short jail sentences to nationals. At best, this is only a slight shift that is unlikely to have any appreciable effect on FSLN tactics.

FSLN raids from across the border have been a continuing thorn in the side of Somoza's counterinsurgency

[REDACTED]

effort and a very important asset to the guerrillas and will likely remain so.

Other Significant External Support

The Somoza government is unpopular in Venezuela, and President Perez is waging a personal campaign against it. Perez has met openly with members of the FSLN and Group of 12. [REDACTED]

Past reporting has conflicted on the question of whether Perez is providing money to the anti-Somoza movement in general and to the Sandinistas in particular. In the most recent reports, however, [REDACTED] said that Perez is providing money and unsophisticated arms to the guerrillas, and he is kept apprised of their plans as well as the extent of support they receive from Cuba. Venezuela also has a Committee of Solidarity With the Nicaraguan People, which lobbies against Somoza and raises funds for the Sandinistas.

In mid-August Panamanian Chief of Government Torrijos told Ambassador Young that he was giving some support to the FSLN, but not much. This week, [REDACTED] he told [REDACTED] that he was providing nothing but hotel accommodations for the guerrillas who staged the operation against Nicaragua's National Palace. Earlier this month, however, [REDACTED] Torrijos promised to provide guerrilla training to the FSLN unit that went to Panama following the National Palace operation, but that the Sandinistas departed before any training took place.

In August, [REDACTED] discovered a 30-man pro-FSLN cadre training in Panama's Western Chiriqui Province and did not interfere with the group's return to Nicaragua. [REDACTED]

[REDACTED] Nicaraguan President Somoza is evidently aware of this incident. The guerrilla commander of the National Palace operation reportedly was seen in [REDACTED]

[REDACTED]

Chiriqui on Monday loading what appeared to be munitions onto a plane flown by a Panamanian Air Force pilot. The aircraft supposedly had been making two flights nightly to Costa Rica for the previous four days. In addition, two top FSLN commanders visited Panama in the past few weeks in hopes of meeting with Torrijos, [REDACTED]

The FSLN operates out of sanctuaries in Honduras, but finds the atmosphere less hospitable than in Costa Rica. As many as 60 guerrillas were staging regular raids from Honduras into Nicaragua late last year, but the Honduran Army swept the border region in May to suppress these activities. Like Costa Rica, Honduras deports captured Sandinistas to third countries.

Honduras also has a Committee of Solidarity With the Nicaraguan People, which provides aid to the FSLN. In addition, students and faculty members of the national university and a new leftist organization, the Popular Unity Movement, reportedly give added moral and material support.

[REDACTED] believes that the Mexican Government is sympathetic to and probably provides "support" to the Sandinistas, but [REDACTED] has no concrete information beyond these previous reports.

- In early 1978, Joaquin Cuadra Chamorro, of the Group of 12, said that he had met with Mexican President Lopez Portillo and Secretary of Government Reyes. Cuadra said the Mexican Government was providing important political and propaganda support to the effort to remove Somoza from power. Cuadra said the Mexicans had not yet provided any financial support, and he did not indicate that support to date had specifically included the FSLN.
- Ernesto Castillo, also of the Group of 12, in early January 1978 "intimated" that the FSLN had the sympathy of and a good relationship with the Mexican Government. He hoped that the Chamorro assassination would generate concrete assistance.

[REDACTED]

-- The FSLN has members in Mexico, including Carlos Gutierrez Sotelo, whose farm near Cuernavaca is used for training and recuperation by Sandinistas. Because of Mexico's traditionally tolerant atmosphere, many far-left Latin American groups have chosen to set up such exile operations there.

Cohesiveness of the National Guard

[REDACTED] the Guard's cohesiveness and loyalty to Somoza remain intact. This unity derives from 40 years of cultivation through financial incentives; screening of enlistees; use of informants, checks, and balances; and other classic patron-client techniques. In the current crisis, this cohesion does not come strictly from blind devotion, but from the pragmatic recognition by guardsmen that without Somoza their interests will be in peril. Moreover, during the current clashes, Somoza has lifted some of the restraints he had imposed on the Guard to reduce human rights abuses, and the greater latitude initially boosted Guard morale.

[REDACTED] the continuing strain of the past five days, however, is beginning to lower Guard morale slightly. Guard loyalty might be tested if the FSLN could field a large number of urban combatants in Managua and involve the urban poor in a confrontation with the military. The Guard's cohesiveness, especially at the enlisted men's level, could be stretched to the breaking point.

Somoza's Strategy

The first priority of Somoza's basic military strategy has always been ensuring firm control of the capital. Managua is the political, financial, and strategic heart of the country. Half of the 8,200 men in the National Guard are stationed in the Managua area, including the best combat units as well as virtually all of the heavy weapons, armor, and Air Force. The rest of the Guard is widely dispersed, with half stationed in each of the 16 departmental capitals and half occupying small outposts in rural villages.

Somoza evidently believes he can ultimately control, from the military perspective, anything short of a mass

[REDACTED]

civil uprising in the capital. He does not seem to feel a need for haste in recapturing the provincial cities, and consequently is willing to dispatch only limited reinforcements from Managua. He may also believe that such extended operations will cause the guerrillas to expend their presumably limited supplies of ammunition.

Nevertheless, there is a sense of urgency, if not haste, in Somoza's current strategy. The tenacity of the guerrilla offensive has probably surprised him. Declaring martial law gives the Guard the freer rein it has wanted. The troops are taking harsher measures and using weapons--such as M-79 grenade launchers, recoilless rifles, and aircraft--that had not been employed in the past. The Air Force has engaged in hot pursuit of guerrillas into Costa Rica, their chief sanctuary. In short, Somoza is taking the gloves off.

Somoza's political strategy is unchanged. His objectives are to retain power until his term officially ends in 1981 and to protect his financial and family interests beyond that time. Clearly he does not envision relinquishing all personal power even after his retirement. At present, no one in the opposition will negotiate on his terms, and he stands firm. If he comes to feel that his back is to the wall militarily, he would agree to negotiate and make concessions as a tactical fallback in the hope of buying time, drying up popular support for the guerrillas, and splitting the opposition. Even acquiescence to the demand that he step down is conceivable as a final tactical retreat, with the intent to renege or in hopes of coming back some years hence.

Somoza's diplomatic strategy is to thwart international initiatives by unfriendly countries, such as Costa Rica and Venezuela. If he is unable to restore order in the next two weeks or so, he would be more inclined to accept outside mediation, but without preconditions. Again he would hope to turn the process to his advantage and buy time. Particularly if the United States were somehow involved in the mediation, Somoza could be expected to appeal to influential friends in this country to buttress his negotiating position.



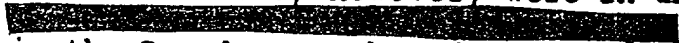
Somoza's Prospects for Success

Barring a substantial increase in external material support for the FSLN, Somoza's military "get tough" strategy may well succeed in the short run. The guerrillas are low on ammunition and militarily out-classed, while the Guard has been given a freer rein. Somoza should be able to restore systematically some semblance of control.

Circumstances in Nicaragua have changed, however, and, over time, Somoza will probably fail to reverse the tide of active opposition. He may manage to suppress individual uprisings, but the guerrillas will reappear in other cities in a matter of days or weeks. Since he cannot jeopardize Managua's defenses to subdue the rest of the country, only the most draconian measures and a massive increase in the size of the Guard would permanently eliminate the Sandinistas and their growing reserve of young followers. Even if by these measures he managed to stay in power until 1981--and the odds seem hedged against it--the dynasty could continue only as a police state.

Presumably, Somoza's political strategy--accepting some form of outside mediation--would enter the picture before the military situation slipped from his grasp. The opposition would agree to such mediation expecting that the United States would take a hand in assuring Somoza's retirement from power. Somoza's strategy would be to marshal all his political savvy and influence to resist his ouster as well as any ban on political participation by his relatives. Even if ultimately compelled to yield his offices and dismantle his power structure, he would probably never quit maneuvering for a return to power.

Government Shortages

Major "Tachito" Somoza acknowledged on 12 September that the Guard was rapidly exhausting its ammunition but said it had found sources of additional supplies in other Central American countries. He indicated that his rapid-reaction forces, however, were in urgent need of C-rations.  there is some concern in the Guard over the adequacy of munitions reserves and other materiel. Inability to replenish stocks of small-arms ammunition and field supplies could weaken the

[REDACTED]

regime's military position, but Somoza probably has the sources and connections to avert a shortage.

Of more serious, if not immediate, concern is the current financial crisis compounded by the national strike and wave of violence. Facing a serious liquidity crisis and capital flight, the government requested advance tax payments and imposed currency controls. Most foreign firms are expected to comply with the tax request, which will ease but not eliminate the economic squeeze. The government has already had problems meeting public teachers' salaries, and if the business strike and nonpayment-of-taxes movement continue, the government's position could be undermined.